DATE: August 14, 2020

SUBJECT: Proposed Revisions to Investment Policy Statement

TO: Members of the Board

FROM: Joseph W. Sheva, CPA, FRM JWS
Senior Risk Manager

At the August 19, 2020 Investment Committee meeting, the Investment Office (IO) will recommend that the Board adopt the Investment Policy Statement (IPS) revisions to sections VI. Asset Allocation and VII. Performance Objectives, as noted below. If adopted by the Board, the effective date of the recommended changes will be October 1, 2020, inclusive of the understanding that the weights could change as a result of private market valuation adjustments.

A. Real Asset Policy Index Weight Change – Real Asset/Infrastructure:

The IO recommends that the weight to the Alerian Midstream Energy Index be reduced by 2.00% and the FTSE Developed Core Infrastructure 50/50 Net TR Index (Hedged to USD) be increased by a corresponding 2.00%, within section VII. Performance Objectives of the IPS, as depicted below. As noted during the August 7th Investment Committee meeting, the change is recommended to move from a relatively concentrated MLP index to the broader Core Infrastructure index, while maintaining the same exposure to the Infrastructure asset class.

	Current	Recommended
Real Asset Exposure	**24.00%**	**24.00%**
Public Real Assets:	**15.00%**	**15.00%**
Infrastructure		
Alerian Midstream Energy TR Index	3.00%	1.00%
FTSE Developed Core Infrastructure 50/50 Net TR Index (Hedged to USD)	2.00%	4.00%

Excerpt of section VII. Performance Objectives

Note that section VI. Asset Allocation within the IPS does not change as a result of these changes.

B. Un-packing Risk Parity

The IO recommends the reallocation of the Risk Parity asset class to other asset classes based on the weights of the components of its benchmark. This will allow for greater transparency of the explicit leverage taken by the Board in its attempt to diversify the asset allocation through the allocation of risk. The current target allocation to the Risk Parity asset class is 8.00%, per section VI. Asset Allocation of the IPS. The Risk Parity asset class benchmark within the IPS section VII. Performance Objectives is footnoted as follows:

MSCI ACWI Net TR Index (50%); Bloomberg Barclays US Treasury TR Index (75%); Bloomberg Barclays World Inflation-Linked Bond All Maturities TR Index (Hedged to USD) (55%); Bloomberg Commodity TR Index (15%); Bloomberg Gold TR Subindex (5%); and ICE LIBOR 3 Month Index (-100%).

The reallocation based on the above benchmark results in an increase to Equity Exposure by 4.00%, Fixed Income Exposure by 6.00% and Real Asset Exposure by 2.00%, totaling 12.00% of exposure. This exposure minus the removal of 8.00% Risk Parity exposure results in an increase of 4.00% to Explicit and Net Leverage. A slide deck has been provided to present additional details of the above.

Attached are a memo from Aon, the Board's investment consultant, regarding the recommended policy changes, the slide deck noted above providing a more granular breakdown of the Risk Parity un-packing and a blacklined and clean copy of the IPS.

If you have any questions or comments, please contact me at 717-720-4632.